

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1127-02
Bill No.: SCS for SB 267
Subject: Taxation and Revenue - Sales and Use; Cities, Towns and Villages
Type: Original
Date: March 2, 2017

Bill Summary: This proposal would allow the City of Eureka to adopt a sales tax for improved public safety

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0 or \$3,229	\$0 or \$12,917	\$0 or \$12,917
Total Estimated Net Effect on General Revenue	\$0 or \$3,229	\$0 or \$12,917	\$0 or \$12,917

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Local Government	\$0 or Less than \$322,936	\$0 or \$1,291,746	\$0 or \$1,291,746

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow the City of Eureka to submit a sales tax proposition to the voters for approval.

BAP officials stated that average taxable sales and use tax transactions over the past three years averaged \$250,141,922. Budget and Planning carried this number forward into FY 2017-FY 2020.

The earliest effective date for this tax would be the second calendar quarter following approval by the voters. Therefore, the tax would be effective for one quarter of FY 2018, and full implementation would not occur until FY 2019. In FY 2019 and FY 2020, this tax could generate \$1,238,203 for the City of Eureka after the Department of Revenue (DOR) retains \$12,507.

BAP officials noted that a voter approved sales tax would not impact Total State Revenues or the revenue limit calculations under the state constitution, but the DOR collection fees would increase Total State Revenues.

Budget and Planning officials deferred to DOR for an actual estimate of collection costs.

Officials from the **Department of Revenue** assume this proposal would allow any city of the fourth classification with more than 9,500 but less than 10,800 inhabitants to impose a one-half of one percent sales tax for improving public safety. The proposal includes an expiration date of December 31, 2038.

Administrative Impact

DOR officials noted that businesses located in Eureka, Missouri would require notification.

Oversight notes DOR did not include a cost estimate for the notification and assumes the notification could be accomplished during a regularly scheduled DOR update to retailers at no additional cost.

ASSUMPTION (continued)

IT Impact

DOR officials assume the Integrated Tax System would incur additional costs of \$5,195 to implement the provisions of this legislation.

Oversight assumes a limited additional cost for IT services could be accommodated with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase DOR costs, resources could be requested through the budget process.

Officials from the **City of Eureka** provided an estimate of additional revenue for this proposal of \$289,148 for a one-eighth cent levy, an estimate of \$578,296 for a quarter-cent levy, and an estimate of \$1,156,592 for a half-cent sales tax levy.

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact on their organizations.

Officials from **St. Louis County** assumed a previous version of this proposal would have no fiscal impact on their organizations.

Oversight has reviewed the taxable sales reports from the Department of Revenue website and notes that reported taxable sales for the City of Eureka were \$258,349,115 for 2015.

Oversight assumes a one-half percent sales tax rate would generate gross sales tax revenues to the city of $(\$258,349,115 \times .005) = \$1,291,746$ if the proposition is approved by the voters. For FY 2018, the gross sales tax revenue for one quarter would be $(\$1,291,746 / 4) = \$322,936$.

Oversight will indicate additional revenue for the state's General Revenue Fund of \$0 or $(\$322,936 \times 1\% = \$3,229$ for FY 2018 and \$0 or $(\$1,291,746 \times 1\%) = \$12,917$ for FY 2019 and FY 2020. The balance due to the city would be \$0 or $(\$322,936 - \$3,229) = \$319,707$ for FY 2018 and $(\$1,291,746 - \$12,917) = \$1,278,829$ for FY 2019 and FY 2020.

Oversight notes that an election to approve the sales tax could be held as part of a statewide General Election, at the time of municipal elections, or it could be decided by the voters at a special election called for that purpose. We do not have any information as to the cost of such a special election; therefore, Oversight will include in this fiscal note an impact of \$0 (no special election held) or an unknown cost for a special election to be held in FY 2018.

ASSUMPTION (continued)

Oversight assumes the amounts collected would be spent for public safety purposes but will not include those expenditures in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Additional revenue</u> - DOR		\$0 or	\$0 or
Collection charges	<u>\$0 or \$3,229</u>	<u>\$12,917</u>	<u>\$12,917</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or \$3,229</u>	<u>\$0 or \$12,917</u>	<u>\$0 or \$12,917</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
LOCAL GOVERNMENTS			
<u>Additional revenue</u> - City of Eureka		\$0 or	\$0 or
public safety sales tax	<u>\$0 or \$319,707</u>	<u>\$1,278,829</u>	<u>\$1,278,829</u>
<u>Election costs</u> - City of Eureka	\$0 or <u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or Less than \$319,707</u>	<u>\$0 or \$1,278,829</u>	<u>\$0 or \$1,278,829</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

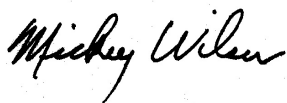
FISCAL DESCRIPTION

The proposed legislation would authorize the City of Eureka to submit to the voters a proposition for a public safety sales tax.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
St. Louis County
City of Eureka



Mickey Wilson, CPA
Director
March 2, 2017

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Assistant Director
March 2, 2017